

TABLE OF CONTENTS

SUBJECT	Page
1. Introduction	2
2. Provincial Expenditure	2
3. Summary of Conditional Grant and Development Funds	3
<u>Infrastructure and Conditional Grant statistics per department</u>	4
4. Office of the Premier	4
5. Provincial Legislature	4
6. Department of Health	4
7. Department of Sport, Arts and Culture	5
8. Department of Economic Development and Tourism	5
9. Department of Education	6
10. Department of Local Government and Housing	6
11. Department of Transport, Roads and Community Safety	7
12. Department of Public Works	7
13. Department of Social Development	7
14. Department of Agriculture, Conservation and Environment	8
15. National Treasury Infrastructure Grant to Provinces	8
16. Conclusion	9

SELECT COMMITTEE ON FINANCE

Fourth (4th) QUARTERLY REPORT ON CONDITIONAL GRANTS
AND DEVELOPMENT/ INFRASTRUCTURE EXPENDITURE

PRESENTATION BY THE NORTH WEST PROVINCE

1. Introduction

This preliminary financial report relates to the 2006/07 financial year, from 1st April 2006 to the 31st March 2007, of which the estimated expenditure for this period should be 100%.

These figures may be revised as provincial departments finalise and reconcile their financial statements that is due 31st May 2007.

2. Provincial Expenditure

- There is a substantial improvement in infrastructure/development and conditional grant funds spending during 2006/07 compared to the 2005/06 financial year.
- The improvement is evident because of the supporting interventions by the provincial treasury and the commitment of the provincial departments to improve their service delivery and spending.
- The infrastructure/development budget of R2 636 691 000.00 includes funding from the equitable share of R1 931 369 000.00 and infrastructure conditional grants amounting to R705 322 000.00.
- Below find the comparative spending analysis on the conditional grant and development funds expenditure over the 2005/06 and 2006/07 financial years.

Description	Budget 2006/2007 R' 000	Expenditure 2006/2007 R' 000	Percentage spent (%) %	Variance (Over)/ Under Spent R' 000
Conditional Grants	1,920,178	1,834,232	96%	85,946
Development/ Infrastructure Funds	2,636,691	2,487,919	94%	148,272
Description	Percentage Expenditure 2005/2006	Percentage Expenditure 2006/07	Percentage increase or (decrease)	
Infrastructure/ Development Funds	89%	94%	5%	
Conditional Grants	95%	96%	1%	

3. Summary of Conditional Grant and Infrastructure/ Development Funds

- a) The North West Province received conditional grant allocations, in terms of the Division of Revenue Act (DoRA), of R1 920 178 000.00 (R1, 9 billion) for the 2006/07 financial year.
- b) Spending on conditional grants during this financial year amounts to R1 834 232 000.00 (R1.8 billion) which equals 96% expenditure and is a 1% improvement compared to the 95% spent during 2005/2006.
- c) The development allocations amounts to R2 636 691 000.00 (R2.6 billion) for 2006/07 of which the provincial departments spent R2 487 919 000.00 equalling 94%.
- d) The uncertainty that prevailed on the national conditional grant rollovers and the subsequent late approval received delayed implementation of many conditional grant and infrastructure projects.
- e) However, the provincial treasury closely monitored the spending and delivery and opted for the best utilization of these funds in the current year to prevent under spending.
- f) The rollout of the Infrastructure Delivery Improvement Programme (IDIP) within the province and the active involvement of the Provincial Treasury with the Provincial Departments of Education, Public Works and Health and the National Treasury definitely revealed positive results in the infrastructure planning, delivery and management.
- g) This national initiative currently under the leadership and guidance of the Provincial MEC for Finance is currently being rolled out to the other provincial departments to comprehensively align and improve the efficiency and effectiveness of infrastructure planning, budgeting, delivery and reporting.

Conditional Grant Allocations within the North West Provincial Departments	Approved Budget 2006/2007	Expenditure as at 31/03/2007	National Transfers 31/03/2007	% Spent of Budget 2006/2007	Under / (over) Expend
Office of the Premier	-	-	-	-	-
Provincial Legislature	-	-	-	-	-
Department of Health	539,593	485,815	539,593	90%	53,778
Department of Sport, Arts and Culture	11,105	9,527	11,105	86%	1,578
Department of Economic Development	-	-	-	-	-
Department of Finance	-	-	-	-	-
Department of Education	232,062	212,208	232,062	91%	19,854
Department of Local Government and Housing	703,179	696,544	703,179	99%	6,635
Department of Transport, Roads and Community Safety	335,081	335,081	335,081	100%	-
Department of Public Works	-	-	-	-	-
Department of Social Development	5,270	5,270	5,270	100%	-
Department of Agriculture, Conservation and Environment	93,888	89,787	93,888	96%	4,101
Total Conditional Expenditure for 2006/07	1,920,178	1,834,232	1,920,178	96%	85,946
Total Infrastructure Allocations (includes some conditional grants) within the North West Provincial Departments	Approved Budget 2006/2007	Expenditure as at 31/03/2007	National Transfers 31/03/2007	% Spent of Budget 2006/07	Under / (over) Expend
Office of the Premier	7,000	4,273	7,000	61%	2,727
Provincial Legislature	4,668	1,186	4,668	25%	3,482
Department of Health	377,057	358,991	377,057	95%	18,066
Department of Sport, Arts and Culture	43,604	40,557	43,604	93%	3,047
Department of Economic Development	98,937	51,980	98,937	53%	46,957
Department of Finance	-	-	-	-	-
Department of Education	442,958	395,722	442,958	89%	47,236
Department of Local Government and Housing	753,179	743,973	753,179	99%	9,206
Department of Transport, Roads and Community Safety	550,128	546,695	550,128	99%	3,433
Department of Public Works	175,809	173,723	175,809	99%	2,086
Department of Social Development	38,988	32,355	38,988	83%	6,633
Department of Agriculture, Conservation and Environment	144,363	138,464	144,363	96%	5,899
Total Infrastructure Expenditure for 2006/07	#####	2,487,919	#####	94%	148,772

Infrastructure and Conditional Grants statistics per Provincial Department

4. Office of the Premier

Development funds allocations for the Office of the Premier	Approved Budget	National Transfers	Expenditure as at	% Spent of Budget	Under / (over)
	2006/2007	31/03/2007	31/03/2007	2006/2007	Expend
	R' 000	R' 000	R' 000	%	R' 000
Maintenance & Upgrading of Traditional Leaders Properties (Equitable Share)	7,000	7,000	4,273	61%	2,727
Total Expenditure of 2006/07 funds	7,000	7,000	4,273	61%	2,727

Expenditure trend:

The Office of the Premier has spent 61% of their approved budget with the unspent funds committed to complete the maintenance of tribal offices.

5. Provincial Legislature

Development funds allocations for the Provincial Legislature	Approved Budget	National Transfers	Expenditure as at	% Spent of Budget	Under / (over)
	2006/2007	31/03/2007	31/03/2007	2006/2007	Expend
	R' 000	R' 000	R' 000	%	R' 000
Extension of Building (Equitable Share)	4,668	4,668	1,186	25%	3,482
Total Expenditure of 2006/07 funds	4,668	4,668	1,186	25%	3,482

Expenditure trend:

- The Provincial Legislature has spent 25% of their approved budget.
- The unspent funds of R3, 4 million is committed to complete the extension of the building during 2007/08 as a new contractor was appointed to complete the work based on the sub-standard work done by the previous contractor.

6. Department of Health

Conditional Grant and development funds allocations for the Department of Health	Approved Budget	National Transfers	Expenditure as at	% Spent of Budget	Under / (over)
	2006/2007	31/03/2007	31/03/2007	2006/2007	Expend
	R' 000	R' 000	R' 000	%	R' 000
Hospital Revitalisation C/Grant	223,588	223,588	191,366	86%	32,222
Health Professionals Training and Dev. Grant	62,564	62,564	62,560	100%	4
Comprehensive HIV and AIDS Grant	142,316	142,316	144,152	101%	(1,836)
National Tertiary Services Grant	69,380	69,380	69,377	100%	3
Forensic Pathology Service Grant	40,106	40,106	16,721	42%	23,385
Integrated Nutrition Programme Grant	90	90	90	100%	-
Infrastructure Conditional Grant	1,549	1,549	1,549	100%	-
Prov Infrastructure Funding (Equitable Share)	51,000	51,000	51,000	100%	-
Health Routine Maintenance (Equitable Share)	43,338	43,338	42,245	97%	1,093
Clinic Building (Equitable Share)	37,980	37,980	53,271	140%	(15,291)
Klerksdorp/Tshepong Hospital (Eq. Share)	19,602	19,602	19,602	100%	-
Total Expenditure of 2006/07 funds	691,513	691,513	651,933	94%	39,580

Expenditure trend:

- Although the Department of Health has spent most of their approved funds the relative low spending on Forensic Pathology Services and Hospital Revitalization Conditional grant is an area of concern.
- However, the unspent funds of R39, 5 million is committed to complete the Moses Kotane and Vryburg Hospitals and to further proceed with transferring mortuaries from the South African Police Service (SAPS) to the provincial department.

7. Department of Sport, Arts and Culture

Conditional Grant and development funds allocations for the Department of Sport, Arts and Culture	Approved Budget 2006/2007	Transfers 31/03/2007	e as at 31/03/2007	% Spent of Budget 2006/2007	Under / (over) Expend
	R' 000	R' 000	R' 000	%	R' 000
Mass Sport And Recreation Conditional Grant	11,105	11,105	9,527	86%	1,578
Libraries	10,211	10,211	8,711	85%	1,500
Archive building	16,000	16,000	15,982	100%	18
Cultural Centres	4,000	4,000	4,000	100%	-
Maintenance of sport facilities	4,000	4,000	2,854	71%	1,146
Maintenance of museums / Arts	1,000	1,000	929	93%	71
Maintenance of Libraries	4,000	4,000	3,781	95%	219
Greenifying projects	1,393	1,393	1,300	93%	93
Basic sport facilities	3,000	3,000	3,000	100%	-
Total Expenditure of 2006/07 funds	54,709	54,709	50,084	92%	4,625

Expenditure trend:

- The department has spent 92% of their budget. Except for the conditional grant and archive funding most of the expenditures are in fact transfers to Municipalities and also the Academy of Sport.
- The actual spending and delivery by the Municipalities and the Academy of Sport needs to be evaluated and reported on by the department and will be closely monitored by the provincial treasury during 2007/08.
- The current unspent amount of R4, 6 million is committed to complete projects such as recruiting staff for the School Sport Programme, the completion of the archive building, purchase of the mobile library, greenifying projects and maintenance of Mmabatho stadium.

8. Department of Economic Development and Tourism

Development funds allocations for the Department of Economic Development and Tourism	Approved Budget 2006/2007	National Transfers 31/03/2007	Expenditure as at 31/03/2007	% Spent of Budget 2006/2007	Under / (over) Expend
	R' 000	R' 000	R' 000	%	R' 000
MIDZ Infrastructure	57,104	57,104	31,092	54%	26,012
Park Expansion	5,000	5,000	5,000	100%	-
Madibeng Dry Port	3,200	3,200	1,460	46%	1,740
Beef Benefication	5,000	5,000	-	0%	5,000
Light Industrial Parks	3,000	3,000	3,000	100%	-
Madikwe Sisal Project	3,000	3,000	1,208	40%	1,792
Bicycle Small Scale Assembly	3,133	3,133	-	0%	3,133
NWDC Infrastructure Refurbishing	3,500	3,500	-	0%	3,500
Maintenance of Hotel School	1,100	1,100	1,100	100%	-
Letšamoren Dam	4,900	4,900	4,900	100%	-
Mafikeng Hotel School Repairs	1,000	1,000	1,000	100%	-
Bio Diesel Project	9,000	9,000	3,220	36%	5,780
Total Expenditure of 2006/07 funds	98,937	98,937	51,980	53%	46,957

Expenditure trend:

- The department has spent 53% of their approved budget which is below the anticipated target of 100%. The unspent funds are committed to planned projects in progress.

Challenges:

- The lack of capacity within the department to manage and drive development projects.
- Land on which the MIDZ infrastructure development projects are taking place does not belong to MIDZ.

Intervention:

- Various meetings have taken and will still take place with the department to assist.
- Lease agreement on the use of land will be signed with the provincial department of Public Works.
- The department would use the North West Development Corporation (NWDC) as main project manager for the major and critical projects.

9. Department of Education

Conditional Grant and development funds allocations for the Department of Education	Approved Budget	National Transfers	Expenditure as at	% Spent of Budget	Under / (over)
	2006/2007	31/03/07	31/03/2007	2006/2007	Expend
	R' 000	R' 000	R' 000	%	R' 000
National School Nutrition Programme	101,398	101,398	101,398	100%	-
HIV and AIDS (Life skills education)	11,349	11,349	11,067	98%	282
FET Colleges Recapitalization Grant	28,000	28,000	28,000	100%	-
National Treasury Infrastructure Grant	91,315	91,315	71,743	79%	19,572
School Building Programme (Equitable Share)	190,627	190,627	190,527	100%	100
School Maintenance (Equitable Share)	108,937	108,937	85,074	78%	23,863
Sanitation at schools (Equitable Share)	25,476	25,476	25,000	98%	476
Farm Schools and Rural Development	2,000	2,000	2,000	100%	-
Education Centres (Royal Netherlands Donation)	6,966	6,966	3,741	54%	3,225
Total Expenditure of 2006/07 funds	566,068	566,068	518,550	92%	47,518

Expenditure trend:

- The Department has spent 92% their approved funds for this financial year and is on track taking into account the additional R248 million received during the Adjustment Budget for school damaged in the disaster-struck areas.
- The unspent funds are committed to planned projects such as school building, maintenance projects and completion of the five support centres.
- The late approval on national conditional grants impacted on the timeous execution of planned projects which resulted in their under spending.

10. Department of Local Government and Housing

Conditional Grant and development funds allocations for the Department of Local Government and Housing	Approved Budget	National Transfers	Expenditure as at	% Spent of Budget	Under / (over)
	2006/2007	31/03/2007	31/03/2007	2006/2007	Expend
	R' 000	R' 000	R' 000	%	R' 000
Integrated Housing & Human Settlement Development Conditional Grant	699,915	699,915	686,544	100%	3,371
Local Government Infrastructure Grant	3,264	3,264	-	0%	3,264
Bucket Replacement (Equitable Share)	30,000	30,000	30,000	100%	-
Disaster Management Fund (Equitable Share)	20,000	20,000	17,429	87%	2,571
Total Expenditure of 2006/07 funds	753,179	753,179	743,973	99%	9,206

Expenditure trend:

- The Department has spent 99% of their approved funds and is mainly transfers to municipalities.
- The actual expenditure and assessments of physical delivery needs to be reported by the provincial department and in turn will be closely monitored by the provincial treasury.
- The unspent amount of R9, 2 million is committed towards housing projects claims, the purchase adequate reserves for the disaster struck areas of Klerksdorp and Taung as well as the water project in Welbedacht.

11. Department of Transport, Roads and Community Safety

Conditional Grant and development funds allocations for the Department of Transport, Roads and Community Safety	Approved Budget 2006/2007	National Transfers 31/03/2007	Expenditure as at 31/03/2007	% Spent of Budget 2006/2007	Under / (over) Expend
	R' 000	R' 000	R' 000	%	R' 000
Roads Infrastructure NCIGrant	307,081	307,081	307,081	100%	-
EPWP Roads projects	50,000	50,000	48,404	97%	1,596
Roads Maintenance	176,744	176,744	175,700	99%	1,044
Best Practise Model	8,000	8,000	7,250	91%	750
Repair Mafikeng Airport Runway	8,303	8,303	8,260	99%	43
Total Expenditure of 2006/07 funds	550,128	550,128	546,695	99%	3,433

Expenditure trend:

- The Department has spent 99% of their approved funds.
- The minimal unspent amount is committed on planned projects and is because of : -
 - The inability of suppliers to meet delivery deadline of 31 March 2007 for small road equipment for maintenance projects.
 - The delay in obtaining approval for the procurement of machinery and equipment for the Mafikeng Airport not on the national RT57 contract.
- The department also forms part of the Infrastructure Delivery Programme (IDIP) and the continued interaction between the department and the provincial treasury yield positive results.

12. Department of Public Works

Development funds allocations for the department of Public Works	Approved Budget 2006/2007	National Transfers 31/03/2007	Expenditure as at 31/03/2007	% Spent of Budget 2006/2007	Under / (over) Expend
	R' 000	R' 000	R' 000	%	R' 000
Government Building-Major Renovations	38,500	38,500	40,076	104%	(1,576)
Gov Bldg - Day to Day Maintenance "EPWP"	29,139	29,139	28,078	96%	1,061
Regional Office: Public Works	23,135	23,135	23,184	100%	(49)
New Government Buildings	44,174	44,174	44,037	100%	137
Gov Bldg - Day to Day Maintenance "EPWP"	10,861	10,861	10,382	95%	479
Purchase of Development House	30,000	30,000	27,988	93%	2,034
Total Expenditure of 2006/07 funds	175,809	175,809	173,723	99%	2,086

Expenditure trend:

- The Department of has spent 99% of their approved funds with the unspent amount of R2 million committed to existing projects based on the late delivery of materials by suppliers, shortage of cement from manufacturers, air conditioners for new building and retention fees.

13. Department of Social Development

Conditional Grant and development funds allocations for the Department of Social Development	Approved Budget 2006/2007	National Transfers 31/03/2007	Expenditure as at 31/03/2007	% Spent of Budget 2006/2007	Under / (over) Expend
	R' 000	R' 000	R' 000	%	R' 000
Integrated Social Development Services Grant	5,035	5,035	5,035	100%	-
HIV/AIDS (Community Based Care) Grant	235	235	235	100%	-
Secure Care Centres (Equitable Share Funds)	38,988	38,988	32,355	83%	6,633
Total Expenditure of 2006/07 funds	44,258	44,258	37,625	85%	6,633

Expenditure trend:

- The Department has spent 100% of their conditional grant funds with a minimal under spending of R6 633 on development funds.
- The R6 633 is committed to complete the construction of the Rustenburg Secure Care Centre which is according to the project plan due to be completed during 2007/08.

14. Department of Agriculture, Conservation and Environment

Conditional Grant and development funds allocations for the Department of Agriculture, Conservation and Environment.	Approved Budget 2006/2007	National Transfers 31/03/2007	Expenditure as at 31/03/2007	% Spent of Budget 2006/2007	Under / (over) Expend
	R' 000	R' 000	R' 000	%	R' 000
Land Care: Poverty Alleviation and Infrastructure: C/ Grant	8,332	8,332	6,207	74%	2,125
Comprehensive Agriculture Support Programme: C/ Grant	69,556	69,556	67,758	97%	1,798
Disaster Management Conditional Grant	16,000	16,000	15,999	100%	1
Post Settlement Support Services (Equitable Share)	26,606	26,606	28,185	106%	(1,579)
Taung Heritage Site Maintenance (Equitable Share)	5,605	5,605	5,605	100%	-
Vredervort World Heritage Site (Equitable Share)	5,715	5,715	3,572	63%	2,143
Agricultural Support on Communal Land (Equitable Share)	12,549	12,549	11,138	89%	1,411
Total expenditure of 2006/07 funds	144,363	144,363	138,464	96%	5,899

Expenditure trend:

- The Department of has spent the bulk of their funds which is a substantial improvement on the 2005/2006 financial year.
- The supportive interventions of the provincial treasury since 16 January 2006 resulted in a turn around strategy which now yields fruitful results.
- The unspent funds are committed on planned projects and towards capacitating the provincial youth in agriculture and for the provincial land care awareness.

15. National Treasury Infrastructure Conditional Grant to Provinces

National Treasury Infrastructure Conditional Grant funds	Approved Budget 2006/2007	National Transfers 31/03/2007	Expenditure as at 31/03/2007	% Spent of Budget 2006/2007	Under / (over) Expend
	R' 000	R' 000	R' 000	%	R' 000
National Infrastructure Grant	431,209	431,209	408,373	95%	22,836
Total expenditure of 2006/07 funds	431,209	431,209	408,373	95%	22,836

Expenditure trend:

- Expenditure on this grant is 95% despite the late approval of national conditional grant rollovers and additional funds received during the adjusted budget

Challenges:

- The high demand to address the need in terms of the maintenance of infrastructure projects coupled with the limited funds available.
- The limited professional skills available as well as the limited capacity within provincial departments to comprehensively plan, budget and integrate infrastructure projects.

Intervention:

- This improved expenditure trend is as a result of the improved infrastructure planning and committed infrastructure projects by the provincial departments and the consistent interaction of the provincial treasury with the provincial departments.
- The successful implementation of the Infrastructure Delivery Improvement Programme (IDIP) in the NW Department of Public Works, Education, Health and Transport, Roads and Community Safety.

16. Conclusion

- a) The NW provincial treasury enhanced budgetary and cash flow controls with improved

monthly and quarterly performance reports to monitor the impact on service delivery and actual expenditure on conditional grants and infrastructure/development funds.

- b) The monthly expenditure and quarterly performance reports obtained from the provincial departments allow the provincial treasury to monitor, intervene and assist in the improvement of service delivery and to verify compliance in terms of the legislative frameworks such as the Division of Revenue Act, PFMA, etc.
- c) The provincial treasury will continue to meet provincial departments regularly to facilitate the acquiring of resources, requisite skills and to improve budget planning and spending capacity.
- d) The North West province is confident that value for money and service delivery improvement on infrastructure/development and conditional grants will increase over the 2007/08 MTEF.

Maureen Modiselle
MEC for Finance